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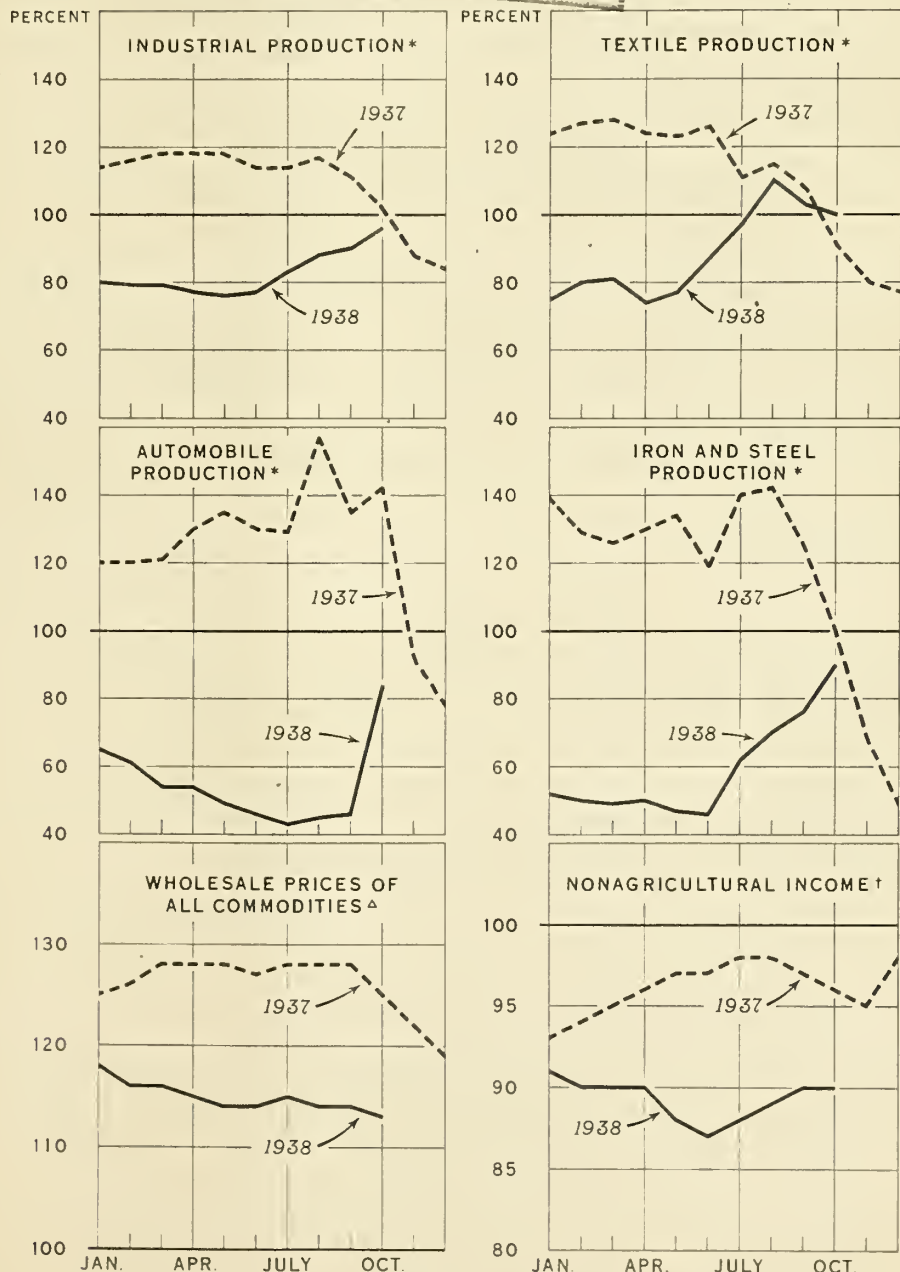
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THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

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* FEDERAL RESERVE INDEX NUMBERS, 1923-26=100, SEASONALLY ADJUSTED
^Δ BUREAU OF LABOR STATISTICS INDEX NUMBERS, 1910-14=100
[†] AGRICULTURAL ADJUSTMENT ADMINISTRATION INDEX NUMBERS, 1924-29=100

DOMESTIC DEMAND

Consumer purchasing power increased materially in recent months, and some additional improvement is in prospect. The rise in industrial production that began last summer has continued for 6 months, and considerably more than half of the ground lost during the recession has been recovered. The Federal Reserve index of industrial production for October was 96 percent of the 1923-25 level, and available indications point to the probability that it will average above 100 for November. Improvement in consumer purchasing power and demand for farm products has been less marked. Whereas, about one-half of the decline in industrial production had been canceled by October, slightly less than a third of the decrease in factory employment and in the incomes of industrial workers had been made up.

This lag is more or less characteristic of such recovery periods, since manufacturing plants are able to increase production to some extent merely by taking up the slack with existing working forces, and improvement in the employment situation in the service industries and other lines of work tends to follow more slowly. Also, increases in the earning power of business enterprises may not be reflected until later in larger dividends or salary restorations. An additional lag may occur before increases in consumers' income are reflected in changed consumption or buying practices. Bills which accumulated during the period of unemployment or reduced income must be paid, and other adjustments made. Thus, although the demand for some farm products such as meats has improved to some extent in recent months, it is probable that there will be continued improvement in consumer demand during the next few months, even if there is no additional increase in industrial activity.

The sharp rise in industrial production in the last half of 1938 has been a reflection mainly of increases in the output of automobiles, textiles, and other consumer goods, and materials used in their manufacture, particularly steel. There also has been a marked pickup in building activity. But the general improvement in the business situation has not yet been reflected in any large expansion of other capital goods. Such a movement takes time to get under way, and no great stimulus can be expected from this source until well into 1939. Meanwhile, operations in the automobile and steel industries show evidence of approaching the limit of immediate expansion possibilities, and little or no further increase in these important lines can be looked for during the next several months. This points to at least a leveling off of industrial production during the first quarter of 1939.

Information regarding the character of buying in the steel industry since last summer indicates that steel users have been building up their inventories to some extent from the low levels reached during the recession. Steel mills received heavy orders during the short period in which prices were cut below quoted figures, and these will be filled mostly before the end of the year. Recently, new business is reported to have been in smaller volume. The volume of output of iron and steel, therefore, may decline somewhat from recent peak levels, although a resumption of purchases by automobile manufacturers and new buying by the railroads and the construction industry should help to prevent any sharp drop. Buyers of other raw and semi-finished industrial materials who were forced back into the market

this summer and fall also have satisfied their immediate requirements in many cases, and in the absence of inducements to forward buying may postpone additional orders if it becomes apparent that the sharp rise in industrial activity has been temporarily halted. The automobile industry is now operating at what appears to be a high rate in view of general economic conditions, and several other lines of industry which made rapid advances this fall have shown signs of meeting greater resistance.

Any substantial slackening in steel production or in some of the other industries mentioned might result in a noticeable slowing down of total industrial activity after the New Year, but this should not be interpreted as the beginnings of a new recession similar to that which occurred a year ago. The general improvement in the business situation is expected to result in the gradual resumption of plans for the rehabilitation of industrial plants and equipment, which will begin to take effect later in 1939. Further increases in spending for public works, and additional improvement in general building activity, should contribute to additional improvement by spring.

The general outlook, therefore, is for some additional improvement in consumer purchasing power and demand for farm products in the near future, followed by a period of relative stability. The shorter-time changes in business activity which are in prospect probably will not be sufficient in degree or length to result in much variation from this general trend.

FOREIGN COMPETITION AND DEMAND

An unusual degree of uncertainty has continued to characterize the foreign situation. The most striking development in the past month has been the fall in the value of the pound sterling.

The quotations for the pound began to decline in late October after a vain attempt to regain the ground lost during the September crisis. Quotations fell to less than 3 cents above the September low of \$4.60. The principal causes of the decline seem to have been a continued flight of capital to the United States, not only from the United Kingdom but from other western European countries as well, and general uneasiness about the European political situation. The decline took place in spite of some improvement in the British trade balance. During the first part of December the pound recovered slightly.

The index of business activity in the United Kingdom during October failed to continue the slight rise shown by the September index. Furthermore, the rise in September was due less to components reflecting the industrial situation than to other elements in the index. For example, British iron and steel consumption continued its decline during September and mill consumption of cotton remained below the level reached in August.

In France the situation has been marked by widespread industrial strife over the efforts of the Government to enforce its new recovery program. Such evidences as are available indicate that industrial production has not recovered from the low level reached in August. It is possible that the new program, if successfully inaugurated, may lead to a revival since some important elements in the situation seem to be favorable. Thus,

the French import surplus is lower than it has been for some time. The value of the franc is in better alignment with that of the dollar and pound than at the inception of previous French recovery efforts. Finally, there is a possibility of a greater measure of internal political unity.

Agricultural exports from the United States during the seasonally heavy months of September and October have been disappointing. The quantity index for October stood at 62 percent of the pre-war average as compared with 82 percent in October 1937 and 74 percent in 1936. The decline was due mainly to low exports of cotton. October exports of fruits were larger than in any of the past 6 years.

The new trade agreements which go into effect on January 1, 1939, with the United Kingdom and Canada are a favorable factor in the outlook for our agricultural exports, especially of pork products and certain fruits. It is hardly to be expected, however, that during the next few months these pacts can offset to any large extent the unfavorable elements in the foreign trade situation.

WHOLESALE PRICES

The general level of wholesale prices, at 77 percent of the 1926 average in November and early December, was one point below the level which prevailed throughout most of the period from late April through October. The present level is the lowest since December 1934. Although some further decline may occur, the outlook still is for a somewhat higher average level of wholesale prices in 1939 than in 1938, as indicated in the November issue of this report. Additional improvement in prices of raw materials is expected to follow the marked increase in industrial production in recent months.

The decline since October centered at first in prices of farm products and foods, but as these groups advanced to above their previous levels, price declines occurred in most other groups of wholesale prices. The decline in recent weeks has been particularly pronounced in prices of hides and leather products, fuel, and nonferrous metals.

The continued decline in prices of finished goods (which began in September 1937) has more than offset the increase in prices of raw materials which has occurred in recent weeks. Prices of some imported manufactured goods are likely to be lowered as a result of reductions in duty to be effected by the trade treaties with the United Kingdom and Canada. The recent slight pickup in sterling exchange, which followed a decline to approximately the lowest level in more than 5 years, appears to have been a strengthening factor in prices of some raw materials.

The ratio of wholesale prices of farm products to nonagricultural products for the week ended December 3 was 82 percent of the pre-war level, compared with 84 for the corresponding week a year earlier.

The combined index of wholesale prices in 9 foreign countries that have a considerable influence on the foreign demand for our farm products, advanced moderately in October to 86 percent of the 1924-29 level, from the 1938 low in September. The October advance largely reflected rising prices in France. Prices in England and Canada have weakened somewhat since mid-October. In Germany the slight upturn in the official commodity index was occasioned by seasonal fluctuations of government-fixed price schedules for farm products. Increasing complaints on the part of German farmers that farm wage rates and prices of farm supplies have risen more rapidly than prices of foodstuffs have prompted the Government to order a slight upward revision of prices for milk and fattened hogs.

PRICES RECEIVED AND PAID BY FARMERS.

Market prices indicate that the general level of prices received by farmers in mid-December is about the same as in mid-November. Prices have increased somewhat for grains, fruits, potatoes, truck crops and dairy products, whereas prices have declined for cotton, tobacco, hogs, and some other products.

The general level of prices received by farmers in mid-November was 94 percent of the pre-war average, compared with 95 percent in October and 107 in November 1937. The slight downturn from October to November reflected lower prices of truck crops and a sharp drop in tobacco prices. The preliminary estimate of prices paid by farmers for commodities is unchanged from September to November, at 121 percent of the pre-war average. Reflecting the decline in farm prices, the ratio of prices paid by farmers declined 1 point in November to 78 percent of pre-war. In November 1937 this ratio was 84 percent of the pre-war level.

FARM INCOME

Cash farm income from marketings during November made slightly less than the usual seasonal decline from October and about the usual seasonal change is expected from November to December. It now seems likely that the cash income from marketings of crops and livestock in 1938 will equal about \$7,125,000,000 and that Government payments for the calendar year 1938 will total about \$500,000,000, making a total cash income, including Government payments, of \$7,625,000,000 compared with \$8,600,000,000 in 1937.

The total cash income from marketings of crops in 1938 is estimated at \$3,100,000,000 or only 80 percent of the \$3,871,000,000 received from crops in 1937. The greatest declines in cash farm income from crops are from grains and from fruits and vegetables, which are expected to total 77 and 78 percent, respectively, of a year earlier.

Cash income from livestock and livestock products is estimated at \$4,025,000,000 or 92 percent of the income from this source in 1937. Government payments of about \$500,000,000 in 1938 will be somewhat larger than the \$367,000,000 paid to farmers in 1937.

COTTON

Following a period of approximately 6 weeks in which domestic prices of spot cotton were exceptionally steady, domestic prices weakened considerably during the first few days of December. From the latter part of October to the end of November, the daily price of Middling "7/8" cotton in the 10 markets ranged between 8.57 and 8.75 cents per pound. On December 3 and 5, however, prices in these markets were 8.33 cents, the lowest in 2 months, and 42 points less than the high for the season to date reached on November 14. From December 5 to 13, prices varied between 8.33 and 8.43 cents. The continued large movement of American cotton into Government loan stocks has been an important price-strengthening factor during recent weeks, but developments in the demand situation have been less favorable than the trade apparently had anticipated.

Domestic manufacturers' sales of cotton goods have apparently run below production for the past few weeks. Some types of mills are now reported as having accumulated rather large unsold stocks and are planning to reduce activity somewhat from the comparatively favorable levels existing during recent weeks. Domestic mill consumption of raw cotton which totaled 596,000 running bales in November was 23 percent larger than a year earlier. The total from August through November of 2,235,000 was slightly larger than in the corresponding period last year. The annual rate of consumption during the first 4 months of the current season was about one-sixth above the 5,748,000 bales actually consumed last season.

In foreign countries generally, cotton mill activity from November to early December was probably somewhat lower than a year earlier. But it is quite possible that consumption was higher relative to a year earlier than during the first quarter of the season when cotton mill consumption outside the United States was, according to estimates of the New York Cotton Exchange Service, 8 percent less than in the first 3 months of 1937-38. Reports from foreign mill centers indicate that, on the whole, manufacturers' sales of cotton goods in the past month were probably below the restricted production. Exports of American cotton to foreign countries continued exceptionally low, the total for the 4 weeks ended December 8 showing a 36 percent decline compared with a year earlier. For the 4 months August through November, exports of American cotton were 900,000 bales, 37 percent less than in the first 4 months of last season and the smallest for the period since 1918.

Estimates of the total supply of cotton for the 1938-39 season have shown comparatively little change during the past month. Crop prospects still indicate a total world supply slightly larger than the record supply of last season and about 27 percent larger than the 10-year (1927-36) average. The supply readily available in regular marketing channels, however, has been further reduced in the past 4 weeks by an increase of about 950,000 bales in Government loan stocks.

In a referendum held on December 10, cotton growers approved marketing quotas for 1939 which will amount to a little over 10 million bales.

WHEAT

Wheat prices in foreign and domestic markets declined the last half of November largely as a result of weakness in demand. During the first half of December, however, prices in foreign markets advanced; Southern Hemisphere offerings were light and Australian crop reports continued unfavorable. Domestic prices also advanced, influenced by the rise in foreign markets, the announcement that the United States had sold 20 million bushels of wheat to the United Kingdom, and by the continued unfavorable moisture conditions for winter wheat. Changes in foreign and domestic wheat prices in the near future are expected to depend largely upon changes in Southern Hemisphere crop estimates. New crop marketings from the Southern Hemisphere usually become an important price factor in January. Domestic prices also will be influenced largely by export sales and by condition of winter wheat.

Export sales of wheat and flour made wholly of United States wheat from July through November totaled about 65 million bushels, including the sale of 20 million bushels to the United Kingdom. Prospects have not been favorable for United States exports this season because of large production in other countries, but exports of this size have been made possible by Government aid. Early in the season, it was announced that the Government sought to export 100 million bushels before June 30, 1939.

The first official estimates of the acreage and condition of winter wheat for harvest in 1939 will be available December 21. Four unofficial winter wheat estimates issued to date by trade agencies average 46.7 million acres. This would be an acreage reduction of about 18 percent compared with the seeded acreage last year. No information is yet available on the probable reduction in spring wheat seedings.

FLAXSEED

Improvement in industrial production and building activity has been reflected in some general improvement in the flaxseed situation in recent weeks. The price of No. 1 Flaxseed at Minneapolis for the week ended December 3 was \$1.86 per bushel or 5 cents per bushel higher than the price early in November. The price at Buenos Aires for that week was \$1.06 leaving a margin of 80 cents between domestic and Argentine flaxseed. Further advances, if any, will be limited by increased supplies from the larger Argentine crop which will be harvested during the next few months.

The total 1938-39 domestic flaxseed supply of 10,300,000 bushels was about the same as that of 1937-38, with the larger crop this year being about offset by a smaller carry-over. Crushings of flaxseed during the period July-September were much smaller than in this period last year. Reduced crushing and smaller production of linseed oil during 1938 has been partly the result of increased use of previously accumulated stocks. Linseed oil stocks were reduced from 223 million pounds on April 1 to 113 million pounds on October 1. Crushings have increased materially since the low point reached last spring. The seasonally adjusted index of the value of building contracts awarded increased from 59 percent of the 1923-25 level in July to 86 percent in October.

The decline in the volume of flaxseed crushings during 1937 and the first half of 1938 was accompanied by a general decline in the quantity of flaxseed imported. Monthly imports declined from 4 million bushels for March 1937, to a low point of 763,000 bushels in June 1938 and in recent months have been increasing. Total imports for the first 4 months of the present marketing year beginning July 1 were about one-third smaller than in this period last year.

CORN AND OTHER FEED GRAINS

The principal factors supporting higher feed grain prices in recent weeks have apparently been the 1938 Government loan on corn, improvement in business conditions, and colder weather which has stimulated feeding in the Mid-west. From early November to early December corn and barley prices advanced about 5 cents per bushel and oats about 3 cents a bushel. The loan on corn available to eligible producers in the commercial corn producing area was set at 57 cents per bushel for corn testing 15½ percent or less moisture content. Since this is much higher than farm prices, many eligible producers are sealing all or a large part of their corn and buying corn for their feeding needs. This has tended to restrict the quantity of corn available for market.

The preliminary estimate of the October 1 feed grain supply which includes November 1 production estimates was 101 million tons. This compares with 97 million tons last year and 99 million tons for the 1928-32 average. Assuming some increase in livestock numbers during 1938, the supply per animal this season is about the same as last year and well above the 1928-32 average.

October corn exports totaled about 4 million bushels, which was the smallest monthly total since December 1937. With increasing competition from the Danubian countries, exports may be reduced during the next few months, but will still be fairly large until after the harvesting of the Argentine crop next spring.

HOGS

Slaughter supplies of hogs probably will decrease seasonally in the late winter and early spring. It is expected, however, that supplies will continue larger than a year earlier. Consumer demand for hog products has improved somewhat in recent months, and it is probable that demand in the early months of 1939 will be stronger than in early 1938.

Hog prices weakened somewhat during November as marketings increased seasonally. In early December the weekly average price of hogs at Omaha was about \$7.05 compared with about \$7.75 in late October. The seasonal decline in prices of butcher hogs from late July to early December this year amounted to about \$2 per 100 pounds. Last year prices dropped more than \$4.50 from mid-August to early December as a result of a large seasonal increase in hog marketings and considerable weakness in consumer demand. Prices of the several weight groups of butcher hogs in recent weeks have not been greatly different, whereas a year earlier prices of heavy weight butcher hogs were somewhat lower than prices of light and medium weight butchers, and the spread became more pronounced later in the winter.

Inspected hog slaughter in November totaled 3,913,000 head, about 19 percent larger than in November last year. The larger hog slaughter in October and November reflects the increase in 1938 spring pig crop over that of 1937. Average weights of hogs in the past 2 months have been considerably lighter than a year earlier. Last year a fairly large number of old crop hogs were carried over from the summer and marketed in the early months of the 1937-38 marketing year (October - December) because of feed shortage in the summer of 1937. In October and November this year marketings have been mostly spring pigs. This difference in the make-up of marketings probably is primarily responsible for the lighter weights this year.

CATTLE

Marketings of grain fed cattle in the first half of 1939 probably will be somewhat larger than a year earlier, but the total marketings of cattle are expected to be smaller. The decrease in total marketings will be largely a reflection of the tendency to hold back breeding stock and increase herds, especially in areas where numbers were sharply reduced as a result of the droughts of 1934 and 1936. Average weights of cattle marketed in the first half of next year will be heavier than a year earlier, and the decrease in total dressed weight of cattle probably will not be so large as the increase in the dressed weight of hog slaughter. Total meat supplies, therefore, are expected to be larger than a year earlier. Consumer demand for meats, however, will be stronger than in the first half of 1938.

It appears probable that the increase in the number of cattle fed this winter over last will be rather moderate, despite the abundant supplies and relatively low prices of feeds. The increase in feeding this year will be mostly in the Western Corn Belt. A decrease is expected, however, in the Western States.

After some weakness in early October, prices of the better grades of slaughter cattle were about steady during late October and in November. Prices of other kinds of slaughter cattle and of stocker and feeder cattle strengthened during November and early December. For the first week of December the average price of choice grade slaughter steers at Chicago was about \$1.50 per 100 pounds lower than a year earlier; the average price of good grade slaughter steers was about the same, but prices of other kinds of cattle were somewhat higher than a year earlier. The average price of stocker and feeder steers at Kansas City for the first week of December was about \$1 higher than in early December last year.

Inspected slaughter of cattle in November, totaling 858,000 head, was slightly smaller than in October but about the same as in November last year. Calf slaughter in November was smaller than a year earlier as has been the case in other months thus far in 1938.

LAMBS

The number of lambs fed during the 1938-39 feeding season is expected to be smaller than the near-record number fed in the 1937-38 season. The number fed this season, however, probably will be at least as large as in any of four seasons just prior to 1937-38. Decreases in feeding this year are expected chiefly in the Western States. It now seems probable about as many lambs will be fed in the Corn Belt States this season as last. Slaughter supplies of sheep and lambs in the 1938-39 fed lamb marketing season (December-April) may be no smaller than in the 1937-38 season, as marketings of western lambs, exclusive of fed lambs, may be larger than a year earlier. Consumer demands for meats in the current fed-lamb marketing season will be stronger than last season.

Prices of slaughter lambs advanced during late October and early November, and then rose further in late November. Some weakness, however, developed in early December. For the week ended December 3 the average price of good and choice slaughter lambs at Omaha was about \$8.70 compared with about \$8.15 a month earlier and \$8.65 a year earlier. Last year prices of lambs declined sharply from late summer to early winter as a result of the weakness in consumer demand, the seasonal increase in marketings and the drop in wool prices. Since the late summer of this year prices of lambs have been well maintained largely because of the strengthening in consumer demand.

Slaughter of sheep and lambs under Federal inspection in November, totaling 1,453,000 head, was seasonally smaller than in October but was 10 percent greater than in November last year.

Reports from most of the important western feeder lamb producing States indicate that shipments of feeder lambs this year have included very few ewe lambs and that the number of ewe lambs kept for additions to breeding flocks has been the largest in several years.

WOOL

Sales of raw wool in the domestic market were small in November, but prices at Boston showed little change during the month. The United States average price received by farmers for wool on November 15 was 20.5 cents a pound compared with 19.7 cents on October 15 and 26 cents on November 15, 1937.

Wool prices in terms of United States dollars declined at the London sales in November. At the beginning of December, the spread between Boston and London quotations for somewhat similar grades of wool was wider than at any time since the latter part of 1937. In view of the continued widening of the spread between domestic and foreign prices, further advances in prices of domestic wool which might result from the improvement in domestic wool consumption will be limited unless there is some rise in foreign prices in terms of United States dollars.

The weekly average rate of mill consumption of apparel wool in the United States in October was 4.9 million pounds, scoured basis. This was slightly higher than the September rate of consumption and was 50 percent higher than in October 1937. Advance sales by mills of wool fabrics for the spring season are reported to be much larger than in late 1937, and mill consumption is expected to be well maintained in the next few months.

As a result of the improvement in mill consumption and small imports so far this year, the carry-over of wool in this country into the 1939 season, beginning April 1, is likely to be smaller than the carry-over into the current season.

On November 1, apparent supplies of wool in the 5 principal wool exporting countries of the Southern Hemisphere were estimated to be 2 percent larger than a year earlier but were slightly smaller than average November 1 supplies in the 5 years 1932-36. Wool production in Australia for the 1938-39 season is now estimated at 940 million pounds. This is about 7 percent smaller than the 1937-38 production and is the smallest production since 1930. Increases in production are estimated for other Southern Hemisphere countries but these increases are more than offset by the prospective decrease in Australia.

BUTTER

Butter prices have risen above the level at which purchases were made by governmental agencies during the summer and early fall. The rise in price is attributed largely to the seasonal decline in production, and also to some improvement in demand. The seasonal peak in butter prices usually comes in December.

The price of 92-score butter at New York in November was 10.8 cents less than a year earlier, and the lowest for the month since 1933. Even with this low price of butter, the price of butterfat is about as high in relation to feeds as in the period 1925-29.

Butter production has been heavy and will probably continue relatively heavy during the winter. Production in October was 15 percent higher than a year earlier and somewhat higher than the preceding peak for the month in 1936.

Stocks of butter on December 1 were 17 percent above the preceding high for that date, and were then twice as large as a year earlier. A large part of the total stocks is held by the Dairy Products Marketing Association. Stocks in the hands of the trade are relatively low. The Dairy Products Marketing Association holdings are available for resale to the trade at prices above the present market and also for sale to the Federal Surplus Commodity Corporation for relief.

Apparent consumption of butter in October was 10 percent larger than a year earlier, and a new high for the month. Part of the increase in consumption was due to the distribution of butter through relief channels. Retail prices of butter in October were 22 percent less than a year earlier. Estimated consumer expenditures for butter in October were decidedly less than a year earlier, and for the coming winter will probably average less than in the winter of 1937-38. By spring, however, consumer expenditures may be higher than in the corresponding months of 1938.

POULTRY AND EGGS

The feed-egg ratio is expected to remain at relatively favorable levels from the poultry producers viewpoint, at least until prospects for 1939 feed crops are fairly definite. Therefore, hatchings during 1939 - following a 3-year cycle - may be even larger than those of 1938.

Poultry marketings during November were slightly above those for November last year. Into-storage movement has been increasing at a rate greater than that for 1937. Poultry storage stocks at their peak early in 1939 are expected to exceed those of the year previous.

The market situation for chickens is less favorable this fall than last year. There usually is a seasonal advance in prices in late winter and early spring, and some improvement in consumers' incomes during the next few months is in prospect. Turkey prices are slightly below those of last year.

Laying flock size on November 1 was already 5 percent greater than last year. During 1939 the number of laying hens in farm flocks is expected to be about 10 percent greater than in 1938. Production of eggs per farm flock - an indication of total United States production - reached a record high for November 1 this year. Egg marketings as indicated by receipts at New York are again approaching seasonal levels as a result of larger flocks and high egg production. The out-of-storage movement of eggs was slow in October, but picked up more than seasonally in November.

Egg prices while above those for a year ago have been falling behind their usual seasonal advance. Because of the low reserve supply of storage eggs, prices of eggs will be more than usually sensitive to weather conditions.

FRUITS

Apple prices have held steady during the past 2 months at levels materially above the relatively low prices of last season. Prices of citrus fruits, however, have been much below last season's prices, and pears sold during November and early December at prices somewhat lower than those of a year earlier.

Consumer incomes, which greatly influence the domestic demand for fruits, appear to have made further gains from a month ago, and the outlook is for some additional improvement. The inauguration of trade agreements, effective January 1, 1939, with the United Kingdom and Canada is a favorable factor in the outlook for exports of fruits from the United States. Among the concessions granted by the United Kingdom on fruits are the abolition of duties on canned grapefruit and certain fruit juices, and substantial reductions in the duties on apples, pears, and some canned fruits.

The total United States apple crop for the 1938 season was estimated on November 1 at 130 million bushels, the same as a month earlier, compared with the 1937 crop of 211 million bushels and the 1927-36 average of 151 million bushels. Cold storage holdings of apples totaled more than 31 million bushels on December 1, 1938, 11 percent smaller than a year earlier, but slightly above average. It is likely that the quantity of apples in common storage on December 1 this year was even smaller relative to a year ago, so that the total supply of apples available for market during the remainder of the marketing season is probably more than 11 percent smaller than the supply available for the same period of last season. The 1938 pear crop was estimated on November 1 at 31.6 million bushels, the largest on record, exceeding the 1937 crop by 7 percent and the 1927-36 average by 30 percent. Considerable quantities of pears were allowed to remain unharvested in New York, California, and the Pacific Northwest because of low prices. Cold storage holdings of pears on December 1, 1938 were one-third larger than the relatively large stocks on hand December 1, 1937. Estimated production of grapefruit for the 1938-39 season on November 1 was indicated at nearly 41 million boxes, 32 percent larger than the 1937-38 crop and nearly 2½ times the 1927-36 average production. Production of oranges for the 1938-39 season (excluding California Valencias) was estimated on November 1 at 50 million boxes, compared with 45.6 million boxes of the same varieties in 1937-38 and 38.3 million boxes in 1936-37.

TRUCK CROPS

Market prices of truck crops in general were sharply higher in early December than a month earlier largely as a result of the unusually cold weather occurring during the latter part of November. Low temperatures occurred practically throughout the country and extended as far South as Florida, South Texas and California. It resulted in considerable damage to growing truck crops in most sections. The new cabbage crop was hurt in Florida, South Carolina and Georgia. In some northern counties of Florida the early harvest of snap beans, eggplant, peppers, and squash was brought to a close. In the lower valley of Texas, snap beans, eggplant, okra and squash were almost completely destroyed and tomatoes were severely injured. In California many of the fall vegetables are unfit for harvest, except in a few areas.

As a consequence of the disruption of the harvest of some of the early tender vegetables in the South, the car-lot movement of these declined sharply. In contrast, however, there has recently been an increased movement out-of-storage of such vegetables as onions and cabbage. The total car-lot movement of all truck crops, therefore, has held up to about the usual total for this season of the year. The cold weather, no doubt, retarded the motor truck movement somewhat and total supplies available have generally been lighter than prior to the cold wave. Until the southern producing areas can recuperate, the supply of vegetables in the markets is likely to be relatively light.

POTATOES

Potato prices at market centers have advanced sharply during the last month as a result of general deterioration in the late crop just prior to harvest time. In some areas in the eastern and central late States blight and rot contributed to the decline in production, while in the West, particularly in Idaho and Oregon, frost and freezes in early November caused considerable losses. As a consequence prices at shipping points in nearly all of the late Northern States advanced about 25 cents per 100-pound sack between the first week of November and the first week of December. New York City prices of potatoes (excluding Russet-Burbank) advanced about 35 cents to \$1.42 per 100 pounds during November while Russets advanced 40 cents to about \$2.35. Chicago prices of all varieties were up about 25 cents per 100-pound sack.

Early reports indicate that the acreage planted or to be planted to fall crop potatoes in Florida and Texas combined, the earliest producing areas for 1939, is about 20 percent less than was harvested in 1938. The south Florida acreage is down 18 percent from 1938 and Texas 27 percent. Prices of new potatoes at New York were recently quoted at \$2.25 per bushel crate.

With the exception of the holiday week, the car-lot movement of late potatoes has averaged about 3,000 cars per week and for the season to December 3 totaled 48,100 cars compared with 61,500 cars shipped to December 1937.

TOBACCO

More than 90 percent of the flue-cured crop of 796 million pounds has been sold. The average price received on sales to December 1 was 22.6 cents compared with 23.7 cents for the same period in 1937. The average price for sales in November was 20.9 cents compared with 25.0 cents in October. Prices generally decline toward the close of the marketing season due to a decrease in the average quality of leaf sold. This season's crop has been marketed at an unusually rapid rate. In a referendum held on December 10 flue-cured tobacco growers voted down a proposal to apply a marketing quota to the 1939 crop. Referenda have not yet been held for the other types of tobacco.

The Burley market at Lexington, Kentucky, opened December 5 and all other Burley markets opened December 6. The average price for the first day at Lexington was between 21 and 22 cents, considerably below the opening average for the previous year. The present marketing situation is dominated by the near record supply of Burley. Increasing business activity and consumer incomes and the fact that the 1938 crop is of better than average quality will tend to have a supporting effect on the season's average price.

Opening prices on Virginia fire-cured markets for the week ended December 1 were about the same as in the corresponding period in the preceding year. The 1937 season's average was 10.7 cents. Kentucky and Tennessee fire-cured markets are expected to open January 3. For the small sales of One Sucker and Green River tobacco which have taken place this season, average prices have been slightly lower on most grades compared with last year. The 1937 season average for One Sucker and Green River were 7.4 cents and 9.0 cents, respectively.

The total 1938 tobacco crop, estimated as of November 1 at 1,470,922,000 pounds, is 5.3 percent less than the crop of 1937. Stocks, however, are more than 6 percent above those of 1937, making a total supply of 3,622,352,000 pounds which is slightly above the total supply of all types of tobacco last season.

In view of the smaller 1938 crop and the fact that average prices for all tobacco sold in 1938 probably will be slightly lower than in 1937, it is expected that income to tobacco growers in 1938 will be about 285 million dollars compared with 319 million in 1937.

Consumption of tobacco products has shown only slight changes during the 10 months, January-October 1938, compared with the same period in 1937. Cigarette consumption increased less than 1 percent; cigar consumption declined 4.8 percent; withdrawals of smoking and chewing tobacco decreased less than 1 percent; and snuff consumption increased about 1.4 percent. It is reasonable to expect a moderate increase in tax-paid withdrawals of tobacco products, particularly cigarettes, during the coming months due to improvement in the business activity and consumers' income.

Exports of all types of tobacco for the crop year 1937-38 were about 12 percent above those of 1936-37. Exports of flue-cured from July to October 1938 were nearly 25 percent above those for the corresponding period a year earlier and constituted a record high for the 4-month period. During the 3 months ended October there was a rather consistent month-to-month increase in exports from old crop stocks of practically all of the other export types.

NOTES:

- 1/ Department of Commerce monthly and annual index numbers of "national income paid out", 1929 = 100. (monthly adjusted for seasonal variation). Comprises the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties, direct relief disbursements, adjusted service payments to veterans (soldiers' bonus) and benefit payments under the Social Security program. Monthly index described in Survey of Current Business, October 1938. Revised October 1938.
- 2/ Industrial Relations Division of the Agricultural Adjustment Administration, 1924-29 = 100, adjusted for seasonal variation. Veteran bonus payments are included in 1931 and 1936 but are insignificant in other years. Nonagricultural income, without bonus payments, is 86 for 1931 and 88 for 1936. Revised November 1938.
- 3/ Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
- 4/ Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment. Revised September 1938.
- 5/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees. Revised October 1938.
- 6/ Bureau of Agricultural Economics, 1923-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries - United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland. Series was revised from January 1920 through July 1935 in July 1937 - and from August 1935 through August 1937 in November 1937.
- 7/ Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
- 8/ Bureau of Labor Statistics index, 1913 = 100.
- 9/ Bureau of Agricultural Economics, August 1909-July 1914 = 100.
- 10/ Bureau of Agricultural Economics 1910-14 = 100.
- 11/ Preliminary.

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